

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Jerome Township	County Midland
Audit Date June 30, 2004	Opinion Date September 1, 2004	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Burnside & Lang, P.C.			
Street Address 5915 Eastman Ave., Suite 100	City Midland	State MI	ZIP 48640
Accountant Signature			

JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN

FINANCIAL STATEMENTS
For The Year Ended June 30, 2004

JEROME TOWNSHIP
BOARD OF TRUSTEES

Stuart D. Bloomfield	Supervisor
Laura A. Grubaugh	Treasurer
Connie Methner	Clerk
Chantee DuFort	Trustee
Mike S. Wood	Trustee

POPULATION-2000
3,945

STATE EQUALIZED VALUATION-2003
\$134,833,272

STATE TAXABLE VALUE-2003
\$108,145,056

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
June 30, 2004**

Table of Contents

FINANCIAL SECTION:

INDEPENDENT AUDITORS' REPORT	1
------------------------------------	---

BASIC FINANCIAL STATEMENTS:

Government-Wide Statement of Net Assets (Exhibit 1).....	2
Government-Wide Statement of Activities (Exhibit 2)	3
Governmental Fund Balance Sheet (Exhibit 3)	4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets (Exhibit 3.1).....	5
Statement of Revenue, Expenditures, and Changes in Fund Balances (Exhibit 4)	6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit 4.1)	7
Statement of Fiduciary Assets and Liabilities Fiduciary Funds (Exhibit 5)	8
Notes to Financial Statements.....	9-18

REQUIRED SUPPLEMENTARY INFORMATION:

Budgetary Comparison Schedule--General Fund (Exhibit 6)	19
---------------------------------------------------------------	----

OTHER SUPPLEMENTARY INFORMATION:

Governmental Fund Balance Sheet Nonmajor Governmental Funds (Exhibit 7)	20
Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds (Exhibit 8)	21

Independent Auditors' Report

Members of The Township
Board of Trustees
Jerome Township
Midland County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jerome Township (the "Township"), Midland County, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's Board. Our responsibility is to express an opinion on these financial statements based on our audit.

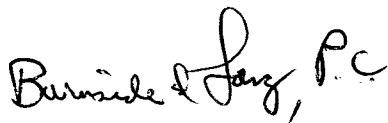
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jerome Township, Midland County, Michigan, as of June 30, 2004, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No.34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as of June 30, 2004.

The budgetary comparison information on page 19, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements of the Jerome Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Midland, Michigan
September 1, 2004

JEROME TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2004

ASSETS

Cash and cash equivalents	\$ 916,841
Taxes and assessments receivable - current	225
Other receivables	1,397
Due from other funds	255
Due from other governmental units	52,800
Capital assets:	
Land	109,199
Buildings and improvements, net	71,938
Township equipment, net	5,880
Fire department equipment, net	51,886
Fire department vehicles, net	467,400
Total capital assets	<u>706,303</u>
Total assets	<u>1,677,821</u>

LIABILITIES

Accounts payable	63,076
Due to other governmental units	822
Long-term liabilities:	
Portion due or payable within one year:	
Bonds and contracts payable	50,000
Portion due or payable after one year:	
Bonds and contracts payable	<u>960,000</u>
Total liabilities	<u>1,073,898</u>

NET ASSETS

Unrestricted	603,923
Total net assets	<u>\$ 603,923</u>

The accompanying notes are an integral part of these financial statements.

JEROME TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Activities:	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General Government:					
Township board	\$ 72,319	\$ -	\$ -	\$ -	\$ (72,319)
Supervisor	19,483	-	-	-	(19,483)
Treasurer	35,129	-	-	-	(35,129)
Assessing	27,907	-	-	-	(27,907)
Clerk	24,579	-	-	-	(24,579)
Elections	383	-	-	-	(383)
Board of review	1,328	-	-	-	(1,328)
Buildings and grounds	5,098	1,914	-	-	(3,184)
All other general government	10,885	14,972	-	-	4,087
Public safety	187,029	746	-	-	(186,283)
Building inspection and regulation activities	24,377	17,276	-	-	(7,101)
Cemetery	19,581	4,250	-	-	(15,331)
Roads and drains	80,430	-	-	-	(80,430)
Street lights	12,487	-	-	-	(12,487)
Sanitation, solid waste	285,317	259,826	-	-	(25,491)
Planning and zoning	6,234	-	-	-	(6,234)
Parks and recreation	151,668	52,966	-	-	(98,702)
Interest and fiscal charges	48,338	-	-	-	(48,338)
Total governmental activities	\$ 1,012,572	\$ 351,950	\$ -	\$ -	(660,622)
General revenues:					
Property taxes, levied for general purposes					299,565
Federal aid					9,550
State revenue sharing					281,496
Interest earnings					13,950
Miscellaneous					22,659
Total general revenues					627,220
Change in net assets					(33,402)
Net assets-beginning					637,325
Net assets-ending					\$ 603,923

The accompanying notes are an integral part of these financial statements.

JEROME TOWNSHIP
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2004

	<u>General Fund</u>	<u>Solid Waste Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 297,971	\$ 133,137	\$ 485,733	\$ 916,841
Taxes receivable, net	91	-	134	225
Due from other township funds	255	-	-	255
Due from other governmental units	52,800	-	-	52,800
Other receivables	1,397	-	-	1,397
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 352,514</u>	<u>\$ 133,137</u>	<u>\$ 485,867</u>	<u>\$ 971,518</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 9,376	\$ 36,781	\$ 16,919	\$ 63,076
Due to other governmental units	822	-	-	822
Total liabilities	<u>10,198</u>	<u>36,781</u>	<u>16,919</u>	<u>63,898</u>
Fund balances:				
Unreserved	<u>342,316</u>	<u>96,356</u>	<u>468,948</u>	<u>907,620</u>
Total fund balances	<u>342,316</u>	<u>96,356</u>	<u>468,948</u>	<u>907,620</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 352,514</u>	<u>\$ 133,137</u>	<u>\$ 485,867</u>	<u>\$ 971,518</u>

The accompanying notes are an integral part of these financial statements.

JEROME TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2004

Total fund balances for governmental funds (Exhibit 4) \$ 907,620

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	109,199	
Buildings and improvements, net of \$224,768 accumulated depreciation		71,938	
Township equipment, net of \$11,547 accumulated depreciation		5,880	
Fire department equipment, net of \$204,469 accumulated depreciation		51,886	
Fire department vehicles, net of \$270,600 accumulated depreciation		467,400	
Total capital assets			706,303

Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.
Balances at June 30, 2004 are:

Midland County Water Supply System Bonds, Series 1998	\$	(1,010,000)	(1,010,000)
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Total net assets of governmental activities (Exhibit 1)	\$	603,923	
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The accompanying notes are an integral part of these financial statements.

JEROME TOWNSHIP
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES
For the Year Ended June 30, 2004

	General Fund	Solid Waste Fund	Non-Major Funds	Total
REVENUES				
Property taxes	\$ 139,598	\$ -	\$ 159,967	\$ 299,565
Licenses and permits	17,276	-	746	18,022
Federal aid	-	-	9,550	9,550
State aid	281,496	-	-	281,496
Charges for services	19,691	-	52,966	72,657
Interest and dividends	6,711	804	6,435	13,950
Rents and royalties	1,445	-	-	1,445
Special assessments	-	259,826	-	259,826
Miscellaneous	14,393	33	8,233	22,659
Total revenues	480,610	260,663	237,897	979,170
EXPENDITURES				
General government	193,466	-	-	193,466
Public safety	24,377	-	139,432	163,809
Public works	112,498	285,317	-	397,815
Community development	6,234	-	-	6,234
Recreation and culture	7,245	-	144,423	151,668
Capital outlay	-	-	294,581	294,581
Debt service	-	-	93,338	93,338
Total expenditures	343,820	285,317	671,774	1,300,911
Excess (deficiency) of revenues over expenditures	136,790	(24,654)	(433,877)	(321,741)
OTHER FINANCING SOURCES (USES)				
Transfers-in	-	-	110,000	110,000
Transfers-out	(110,000)	-	-	(110,000)
Total other financing sources and uses	(110,000)	-	110,000	-
Net change in fund balances	26,790	(24,654)	(323,877)	(321,741)
Fund balances-beginning (as restated)	315,526	121,010	792,825	1,229,361
Fund balances-ending	\$ 342,316	\$ 96,356	\$ 468,948	\$ 907,620

The accompanying notes are an integral part of these financial statements.

JEROME TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
June 30, 2004

Net change in fund balances - total governmental funds (Exhibit 4) \$ (321,741)

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$294,581) exceeded depreciation (\$51,242) in the current period. 243,339

Bond proceeds and capital leases are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments:

Midland County Water Supply System Bonds, Series 1998	\$ 45,000	45,000
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Change in net assets of governmental activities (Exhibit 2)	\$ (33,402)	
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The accompanying notes are an integral part of these financial statements.

JEROME TOWNSHIP
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
CURRENT TAX FUND
June 30, 2004

ASSETS

Cash and cash equivalents	\$ 255
Total assets	<u>255</u>

LIABILITIES

Due to other funds	<u>255</u>
Total liabilities	<u>255</u>

NET ASSETS	<u><u>\$ -</u></u>
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The accompanying notes are an integral part of these financial statements.

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

A. Reporting Entity

The Township is governed by an elected five-member board. The accompanying financial statements present the Township operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. In accordance with the requirements for the implementation of GASB Statement 34, the basis of accounting has been changed from the cash basis to the accrual basis.

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgements are recorded only when payment is due.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Although the Township 2003 ad valorem tax is levied and collectible on December 1, 2003, it is the Township's policy to recognize revenue from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

The 2003 taxable valuation of the Township totaled \$108,145,056, on which ad valorem taxes levied consisted of 1.16 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue.

The government reports the following major funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Solid Waste Fund accounts for providing garbage and rubbish collection financed by an annual special assessment.

Additionally, the government reports the following fund type:

The Current Tax Collection Fund is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Prepaid Items—Certain payments to vendors reflect cost applicable to future years and are recorded as prepaid items in the government-wide and fund statements.

Capital Assets—Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	10 to 40 years
Building improvements	10 to 30 years
Hall equipment	5 to 30 years
Office equipment	5 to 30 years
Computer equipment	5 years

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets (Continued)

Long-Term Obligations—In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the debt service funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is the department or activity level.

Excess of Expenditures Over Appropriations in Budgeted Funds—During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budgeted Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
General Fund – All other general government	\$ 4,150	\$ 10,885
Fire Apparatus Fund – Capital outlay	0	294,581
Water Fund – Improvements	85,000	143,344

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 916,841	\$ 255	\$ 917,096

The breakdown between deposits and investments is as follows:

Bank Deposits (checking and savings, certificate of deposit)	\$ 916,841
-----------------------------------------------------------------	------------

The bank balance of the government deposits is \$916,841, of which \$200,000 is covered by federal deposit insurance.

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 4. CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 109,199	\$ -	\$ -	\$ 109,199
Capital Assets Being Depreciated				
Buildings and improvements	296,706	-	-	296,706
Township equipment	17,202	225	-	17,427
Fire department equipment	256,355	-	-	256,355
Fire department vehicles	491,000	247,000	-	738,000
Subtotal	1,061,263	247,225	-	1,308,488
Less Accumulated Depreciation for				
Buildings and improvements	217,350	7,418	-	224,768
Township equipment	8,881	2,666	-	11,547
Fire department equipment	186,151	18,318	-	204,469
Fire department vehicles	247,760	22,840	-	270,600
Subtotal	660,142	51,242	-	711,384
Net Capital Assets Being Depreciated	401,121	195,983	-	597,104
Governmental Activities Capital Assets—Net of Depreciation	\$ 510,320	\$ 195,983	\$ -	\$ 706,303

Depreciation expense was charged to programs of the Township as follows:

General government:	
Supervisor	\$ 378
Treasurer	573
Clerk	1,715
Fire department equipment	18,318
Fire departments vehicles	22,840
Buildings and improvements	7,418
	<u>\$ 51,242</u>

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 5. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The amount of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 255	Tax	\$ 255
Total	<u>\$ 255</u>	Total	<u>\$ 255</u>

The amount of interfund transfers are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
General	\$ 10,000	Hall	\$ 10,000
	100,000	Water	100,000
Total	<u>\$ 110,000</u>	Total	<u>\$ 110,000</u>

NOTE 6. LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties that directly benefitted from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 6. LONG-TERM DEBT (Continued)

Bond and contractual obligation activity can be summarized as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
Midland County Water Supply System No. 1 bonds issued at January 13, 1998 in the principal amount of \$1,250,000 (less \$25,000 discount). The bond will be paid off in the year ending June 30, 2018.	<u>\$ 1,055,000</u>	<u>-</u>	<u>\$ 45,000</u>	<u>\$ 1,010,000</u>

Scheduled principal maturities of long-term debt for years subsequent to June 30, 2004 are as follows:

<u>Year Ended June 30,</u>	
2005	\$ 50,000
2006	50,000
2007	55,000
2008	60,000
2009	60,000
2010-2018	<u>735,000</u>
	<u><u>\$ 1,010,000</u></u>

NOTE 7. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Township has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 8. PENSION PLAN

The Township provides pension benefits to members of the Township Board of Trustees, constables, building inspector, fire chief and custodian through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township contributes 6.2% of employee gross earnings and the employee contributes 6.2% of earnings. In accordance with these requirements, the Township contributed \$6,709 during the current year and employees contributed \$6,709.

NOTE 9. IMPLEMENTATION OF NEW ACCOUNTING STANDARD

As of and for the year ended June 30, 2004, the Township implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

NOTE 10. PRIOR PERIOD ADJUSTMENTS

In accordance with implementing GASB Statement Number 34, the Township changed its basis of accounting from the cash basis to the modified accrual basis as of July 1, 2003. As a result of this change, prior period adjustments were required.

During the year ended June 30, 2004, a prior period adjustment in the amount of \$42,622 was necessary to properly account for the understatement of a receivable in the General Fund during the year ended June 30, 2003. The effect on fund balance for the year ended June 30, 2004 is as follows:

Fund balance, beginning of year, as previously stated	\$ 272,904
Adjustment	<u>42,622</u>
Fund balance, beginning of year, as restated	<u>\$ 315,526</u>

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 10. PRIOR PERIOD ADJUSTMENTS (Continued)

During the year ended June 30, 2004, a prior period adjustment in the amount of \$21,821 was necessary to properly account for the understatement of a liability in the Solid Waste Fund during the year ended June 30, 2003. The effect on fund balance for the year ended June 30, 2004 is as follows:

Fund balance, beginning of year, as previously stated	\$ 142,831
Adjustment	<u>(21,821)</u>
Fund balance, beginning of year, as restated	<u><u>\$ 121,010</u></u>

The remaining beginning fund balances remained unchanged.

JEROME TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 132,445	\$ 132,445	\$ 139,598	\$ 7,153
Licenses and permits	12,000	12,000	17,276	5,276
State aid	270,000	270,000	281,496	11,496
Charges for services	15,560	15,560	19,691	4,131
Interest and dividends	5,000	5,000	6,711	1,711
Rents and royalties	1,300	1,300	1,445	145
Miscellaneous	50	50	14,393	14,343
Total revenues	436,355	436,355	480,610	44,255
EXPENDITURES				
General Government:				
Towship board	93,450	93,450	72,319	21,131
Supervisor	20,858	20,858	19,105	1,753
Treasurer	36,977	36,977	34,556	2,421
Assessing	29,608	29,608	27,907	1,701
Clerk	26,969	26,969	22,864	4,105
Elections	1,200	1,200	383	817
Board of review	1,950	1,950	1,328	622
Buildings and grounds	6,700	6,700	4,119	2,581
All other general government	4,150	4,150	10,885	(6,735)
Public Safety:				
Building inspection and regulation activities	25,910	25,910	24,377	1,533
Public Works:				
Cemetery	23,319	23,319	19,581	3,738
Roads and drains	85,000	85,000	80,430	4,570
Street lights	15,000	15,000	12,487	2,513
Community Development:				
Planning and zoning	7,400	7,400	6,234	1,166
Recreation and Culture:				
Parks and recreation	10,000	10,000	7,245	2,755
Total expenditures	388,491	388,491	343,820	44,671
Excess of revenues over expenditures	47,864	47,864	136,790	88,926
OTHER FINANCING SOURCES (USES)				
Transfers-in	1,100	1,100	-	(1,100)
Transfers-out	(110,000)	(110,000)	(110,000)	-
Total other financing sources and uses	(108,900)	(108,900)	(110,000)	(1,100)
Net change in fund balances	(61,036)	(61,036)	26,790	87,826
Fund balances-beginning	315,526	315,526	315,526	-
Fund balances-ending	\$ 254,490	\$ 254,490	\$ 342,316	\$ 87,826

**JEROME TOWNSHIP
GOVERNMENTAL FUND BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004**

	Fire Fund	Fire Apparatus Fund	Cemetery Fund	Liquor Fund	Hall Replacement Fund	Water Fund	Priv. Road Maintenance Fund	Total Nonmajor Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 59,340	\$ 192,354	\$ 169	\$ 268	\$ 156,342	\$ 75,893	\$ 1,367	\$ 485,733
Taxes receivable, net	67	67	-	-	-	-	-	134
Total assets	\$ 59,407	\$ 192,421	\$ 169	\$ 268	\$ 156,342	\$ 75,893	\$ 1,367	\$ 485,867
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 16,919	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,919
Total liabilities	16,919	-	-	-	-	-	-	16,919
Fund balances:								
Unreserved	42,488	192,421	169	268	156,342	75,893	1,367	468,948
Total fund balances	42,488	192,421	169	268	156,342	75,893	1,367	468,948
Total liabilities and fund balances	\$ 59,407	\$ 192,421	\$ 169	\$ 268	\$ 156,342	\$ 75,893	\$ 1,367	\$ 485,867

JEROME TOWNSHIP
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2004

	Fire Fund	Fire Apparatus Fund	Cemetery Fund	Liquor Fund	Hall Replacement Fund	Water Fund	Priv. Road Maintenance Fund	Total Nonmajor Governmental Funds
REVENUES								
Property taxes	\$ 79,310	\$ 79,292	\$ -	\$ -	\$ -	\$ -	\$ 1,365	\$ 159,967
Licenses and permits	-	-	-	746	-	-	-	746
Federal aid	9,550	-	-	-	-	-	-	9,550
Charges for services	-	-	-	-	-	52,966	-	52,966
Interest and dividends	342	3,121	1	1	2,395	573	2	6,435
Miscellaneous	3,233	-	-	-	-	5,000	-	8,233
Total revenues	92,435	82,413	1	747	2,395	58,539	1,367	237,897
EXPENDITURES								
Public safety	138,319	-	-	1,113	-	-	-	139,432
Recreation and culture	-	-	-	-	-	144,423	-	144,423
Capital outlay	-	294,581	-	-	-	-	-	294,581
Debt service	-	-	-	-	-	93,338	-	93,338
Total expenditures	138,319	294,581	-	1,113	-	237,761	-	671,774
Excess (deficiency) of revenues over expenditures	(45,884)	(212,168)	1	(366)	2,395	(179,222)	1,367	(433,877)
OTHER FINANCING SOURCES (USES)								
Transfers-in	-	-	-	-	10,000	100,000	-	110,000
Transfers-out	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	10,000	100,000	-	110,000
Net change in fund balances	(45,884)	(212,168)	1	(366)	12,395	(79,222)	1,367	(323,877)
Fund balances-beginning	88,372	404,589	168	634	143,947	155,115	-	792,825
Fund balances-ending	\$ 42,488	\$ 192,421	\$ 169	\$ 268	\$ 156,342	\$ 75,893	\$ 1,367	\$ 468,948

September 1, 2004

Members of the Township Board
Jerome Township
Midland County, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of Jerome Township, for the year ended June 30, 2004, we considered its internal control in order to determine auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal controls. Our consideration of the internal controls would not necessarily disclose all matters in the internal control process that might be material weakness under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control elements does not reduce the risk that misstatements caused by errors or irregularities in amounts that would be material in relation to the financial statements.

The following comments and recommendations are submitted to assist in improving procedures and controls. We would be pleased to discuss these suggestions or to respond to any questions at your convenience.

MANAGEMENT COMMENTS

Financial Oversight

The general limitations in any smaller organization like Jerome Township require that the Township Board of Trustees continue to remain involved in the financial affairs of the Township through oversight of operation, development of the annual budget, inquiries about variance between budgeted and actual amounts shown in the interim financial statements, and the independent review of critical functions. Based on inquiries, the Township Board of Trustees perform these duties and our comment here is intended to emphasize the importance of its oversight.

Landfill

The Township owns a 12 acre parcel, which was used for many years as a landfill. During the year ended June 30, 2004, the Township Board of Trustees retained the services of an environmental consulting firm to perform various procedures to obtain samples for testing. We recommend the Board of Trustees continue with the testing to complete the environmental assessment as soon as reasonably possible.

Payroll Reconciliation

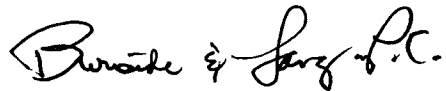
During our audit we reconciled total wages per IRS Form 941 to wage totals on the general ledger. We performed this procedure to determine the accuracy of payroll processing and financial reporting. We recommend that the Township Clerk perform this reconciliation quarterly to substantiate the validity and accuracy of payroll processing and financial reporting.

Conclusion

These conditions were considered in determining the nature, timing, and extent of the audit tests applied on our audit of the June 30, 2004 financial statements, and this report does not affect our report on those financial statements dated September 1, 2004. We have not considered internal control since the date of our report.

This report is intended for the information of the members of the Jerome Township Board, management and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in cursive script that reads "Burnside & Lang, P.C.".

Burnside & Lang, P.C.